

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 FEA-01 STRE-00 XMB-02 IO-11

CIAE-00 DODE-00 NSAE-00 NSCE-00 SSO-00 USIE-00 INRE-00

AGR-05 CEA-01 COME-00 FRB-03 H-02 INR-07 INT-05 L-03

LAB-04 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 PRS-01 SP-02 OMB-01 /100 W

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E.O. 11652: N/A

TAGS: ETRD, EEC

SUBJECT: EC TROPICAL PRODUCTS PROPOSAL - STILL NO EC DECISION REACHED

REF: (A) EC BRUSSELS 1484, (B) EC BRUSSELS 1294

1. BEGIN SUMMARY: DESPITE CONTINUING MEETINGS, EC PERMDEL OFFICIALS TELL US THAT THE 113 COMMITTEE AND THE COMMITTEE OF PERMANENT REPRESENTATIVES HAVE SO FAR BEEN UNABLE TO REACH A DECISION ON THE EC TROPICAL PROUCTS OFFER. COMMISSION OFFICIALS SAY THAT FOR THE US TO INFLUENCE THE FINAL EC PORPOSAL ON TOBACCO, THEY WILL NEED TO RECEIVE US VIEWS ASAP. THE COMMISSION MAY REFUSE TO NEGOTIATE IF MEMBER STATES INSIST UPON AN OFFER WHICH FAILS TO OFFER SUFFICIENT CONCESSIONS. END SUMMARY.

2. EC PERMDEL OFFICIALS TELL US THAT AT THE HIGH-LEVEL 113 COXMITTEE MEETING OCCFEBRUARY 20 SOME PROGRESS WAS MADE REGARDING THE COMMIS- SION'S TROPICAL PRODUCTS OFFER. SEVERAL MEMBER STATES LIFTED
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THEIR RESERVATIONS ON SPECIFIC PRODUCTS, BUT THERE ARE STILL

A NUMBER OF OBJECTIONS AND RESERVATIONS, ESPECIALLY THE ITALIAN OBJECTION ON TOBACCO, WHICH REMAIN ITALIAN PERMDEL SOURCES TELL US THAT THE GOI FEELS STRONGLY ABOUT ITS TOBACCO OBJECTION. THEY ARE SEEKING ELIMINATION OF THIS CONCESSION. OUR SOURCES ADD THAT THE GOI WILL NOT LIFT THIS OBJECTION UNTIL AT LEAST THE MARCH 1 COUNCIL MEETING BUT THEY COULD NOT SAY WHAT THEIR MINISTER WOULD ULTIMATELY DECIDE. AMONG THE NINE, THE GOI IS ISOLATED ON THIS POINT. THE MEETING REACHED NO DECISIONS. THE COMMITTEE OF PERMANENT REPRESENTATIVES (COREPER) DISCUSSED ON FEBRUARY 23 HOW THESE OUTSTANDING ISSUES MIGHT BE RESOLVED, BUT NO DECISION WAS REACHED.

3. THE 113 COMMITTEE IS CONSULTING WITH THE ACP COUNTRIES REGARDING THEIR COMMENTS ON THE COMMISSION'S PROPOSAL. THE 113 DEPUTIES' COMMITTEE WILL AGAIN TAKE UP THE TROPICAL PRODUCTS PROPOSAL ON FEBRUARY 24, FOLLOWED BY ANOTHER COREPER DISCUSSION ON FEBRUARY 26. IF NO DECISION COMES OUT OF THESE MEETINGS, THE OUTSTANDING ISSUES WILL BE REFERRED TO THE EC COUNCIL MEETING OF MARCH 1-2.

4. EC COMMISSION OFFICIAL TRAN VAN THINH STATED TO US THAT HE WAS HOPEFUL THAT THE 113 COMMITTEE MEETING ON FEBRUARY 24 WOULD BE ABLE TO MAKE THE FINAL EXAMINATION. SUBSEQUENT TO THAT, HE HOPED THAT THE COMMISSION AMYREUBDEKRXMFD# ADJUSTMENTS IN THE PROPOSAL THAT WOULD THEN BE ACCEPTED BY THE COUNCIL. HE SAID THAT HE WAS DISAPPOINTED IN NOT HAVING RECEIVED A RESPONSE FROM THE UNITED STATES IN ANSWER TO HIS REQUEST ON CHANGES WE MIGHT SUGGEST IN THE TOBACCO ELEMENT OF THE EC TROPICAL PRODUCTS OFFER. SINCE HE HAS NOT RECEIVED AN ANSWER, HE SAID THAT THE COMMISSION IS NOW CONSIDERING CONVERTING THE OFFER TO THE FOLLOWING: THE CONCESSION ON 24.01 A WOULD ESTABLISH AN 8 PERCENT DUTY WITH A MAXIMUM OF 45 UNITS OF ACCOUNT PER 100 KILOS FOR ALL TOBACCOS COMING FROM GSP COUNTRIES -- WITHOUT QUOTA LIMITATION. HOWEVER, ACCORDING TO TRAN, THE EFFECT OF THIS WOULD BE TO LOWER THE DUTY ON ONLY 8,000 TONS OF VIRGINIA TOBACCO SHIPPED FROM LDC BENEFICIARIES OF THE GSP SCHEME (VALUED AT AN AVERAGE OF 330 UNITS OF ACCOUNT PER 100 KILOS) AND ON 2,000 TONS OF EXPENSIVE DEHLITOBACCO (VALUED AT 700 UNITS OF ACCOUNT PER 100 KILOS). THE 24.01 B CONCESSION WOULD NOW BE DEFINED TO LIMITED OFFICIAL USE

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INCLUDE ONLY VIRGINIA TOBACCO. THE GSP DUTY WOULD BE 8 PERCENT. THE MINIMUM DUTY WOULD BE 15 UNITS OF ACCOUNT, AS IT IS IN THE CURRENT GSP SCHEME, AND THE QUOTA WOULD BE 50,000 TONS. (WHEN THE COMMISSION WAS CONSIDERING INCLUDING ALL TOBACCO IN THE B CONCESSION THE SUGGESTED MINIMUM WAS 19 UNITS OF ACCOUNT.) THUS, US BURLEY IN A AND B AND KENTUCKY IN A WOULD NOT BE AFFECTED BY A CHANGE IN THEIR COMPETITIVE SITUATION. WE TOLD TRAN THAT THE US POSITION REMAINS THE

ELIMINATION OF TOBACCO FROM THE COMMUNITY'S GSP OFFER.

5. TRAN SAID THAT HE ALSO ANTICIPATES THAT IN ANNOUNCING THE TROPICAL PRODUCTS OFFER THE COMMUNITY WILL BE ABLE TO SAY THAT THOUGH IT IS NOT SEEKING RECIPROCITY FOR TROPICAL PRODUCTS ALONE, IT WILL BE SEEKING CONTRIBUTIONS FROM THE LDCS "IN OTHER SECTORS." TRAN SAID THAT HE FELT THAT THE SIZE OF THE TOBACCO REDUCTIONS MEANT THAT THE PRACTICAL DIFFERENCE BETWEEN THE MFN AND GSP RATES WAS SUFFICIENTLY SMALL THAT THE COMMUNITY WOULD BE IN BETTER SHAPE TO NEGOTIATE ON AN MFN BASIS. WE ASKED HIM IF HE COULD MAKE THAT STATEMENT OFFICIALLY. HE ADMITTED HE COULD NOT.

6. COMMISSION OFFICIALS IN SIR CHRISTOPHER SOAMES' CABINET TELL US THAT SOAMES MAY REFUSE TO NEGOTIATE THE GSP TROPICAL PRODUCT CONCESSIONS IF THE COUNCIL TRIMS THE COMMISSION'S PROPOSAL TOO MUCH. SOAMES REPORTEDLY IS PRESSING FOR A MEANINGFUL OFFER SO THAT LDC EXPECTATIONS CAN AT LEAST PARTLY BE MET. SOAMES IS WELL AWARE THAT SUCH A REFUSAL WOULD PREVENT THE COMMISSION FROM MEETING THE MARCH 1 DEADLINE FOR THE SUBMISSION OF ITS PROPOSAL. NEVERTHELESS, HE BELIEVES THE LDCS WOULD BE SYMPATHETIC WITH THE COMMISSION'S EFFORTS TO EXPAND THE EC CONCESSIONS AND WOULD CONSEQUENTLY TAKE THE DELAY IN STRIDE. HINTON

NOTE BY OC/T: # AS RECEIVED.

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